

Public Employees' Retirement System (PERS)
Teachers' Pension and Annuity Fund (TPAF)
Police and Firemen's Retirement System (PFRS)

BENEFIT OPTIONS
WHEN TERMINATING EMPLOYMENT



June 1997

State of New Jersey
Division of Pensions and Benefits



Here are the best ways to reach us:

9 a.m. **609** Monday
to **292**
4 p.m. **7524** through
Friday

Receive general information by speaking to a pension counselor. Our busiest time is noon to 2 p.m. Our busiest day is Monday.

.....
24 **609** 7
hours **777** days
a day **1777** a week

Automated information system: receive information about loans, account history, purchase cost estimates, and withdrawals. (touch tone phone required)

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24 **609** 7
hours **777** days
a day **1931** a week

Benefit information library: Automated information about a variety of pension related topics. (touch tone phone required)

INTRODUCTION

This booklet has been designed to provide you with the information you will need to make informed decisions regarding your pension and benefits when you terminate employment. If you still have questions regarding your pension or benefits after reading the information provided, contact your benefits administrator or the Division of Pensions and Benefits. The Division of Pensions and Benefits has counselors available to speak with you each business day. The number is (609) 292-7524.

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RETIREMENT INFORMATION

You may be eligible to immediately begin receiving a lifetime monthly retirement benefit. If you meet the requirements for any of the types of retirement discussed in this section, contact the Division of Pensions and Benefits at (609) 292-7524 and inquire about filing a retirement application.

PERS and TPAF Retirement Types

SERVICE RETIREMENT is the type of retirement for which most members qualify. The retirement age is 60 or older and no minimum amount of service credit is required. The formula to calculate the maximum annual pension is:

$$\frac{\text{Years of Service}}{60} \times \text{Final Average Salary} = \text{Maximum Annual Allowance}$$

- ◆ 'YEARS OF SERVICE' means the years and months of service credited to your account.
- ◆ 'SALARY' means the base salary on which your pension contributions are based. It does not include extra pay for overtime or money given in anticipation of your retirement. It does not include such factors as housing and uniform allowances.
- ◆ 'FINAL AVERAGE SALARY' means your average salary for the three years immediately preceding your retirement (either 36 months for employees with 12 month contracts or 30 months for employees with 10 month contracts). If your three last years are not your highest years of salary, your allowance will be calculated using your three highest fiscal (July 1 to June 30) years of salary. If this is the case, please inform the Division of Pensions and Benefits at the time of retirement that you had higher fiscal years of salary.

EARLY RETIREMENT is available to those members who have 25 years or more of service credit before reaching age 60. If you retire between the ages of 55 and 60, you will receive full retirement benefits. If you retire before age 55, your allowance is permanently reduced 1/4 of 1 percent for each month under that age (3% per year). For example, if you retire at age 54, you will receive 97 percent of your full retirement allowance. Here are other reduction factors-

Age	Reduction Factor	Age	Reduction Factor
54	.97	50	.85
53	.94	49	.82
52	.91	48	.79
51	.88	47	.76

VETERAN RETIREMENT is available to qualified veterans. If they have not already done so, qualified veterans should submit a copy of their DD214 or discharge papers showing both their induction and discharge dates. To qualify for veteran retirement benefits you must be in active employment until the effective date of retirement. These benefits cannot be deferred.

For TPAF members, veterans may retire at age 55 with 25 years of service credit or at age 60 with 20 years of service credit. For PERS members, veterans must be at least age 62 with 20 or more years of service credit. Those meeting the above stated qualifications are entitled to an annual retirement allowance equal to one-half of their last 12 months' (or highest 12 consecutive months') (last or highest 10 consecutive months for TPAF members under 10 month contracts) salary on which contributions were made.

Veterans of both TPAF and PERS who are at least age 60 with 35 or more years of service credit are entitled to an annual allowance based on the following formula:

$$\frac{\text{Years of Service}}{60} \times \text{Last Year's Salary} = \text{Maximum Annual Allowance}$$

Veterans benefits cannot be deferred and members must meet all the requirements to qualify. Veteran members may retire on the same basis as non-veteran members.

PFRS Retirement Types

SERVICE RETIREMENT is available at age 55 with no minimum amount of service credit required. The formula is an annual allowance equal to 2 percent of your Final Average Compensation for each year of creditable service up to 30 years plus 1 percent for each year of service over 30. (For example: 24 years of service at age 55 = 24 x 2 percent or 48 percent of Final Average Compensation.) Generally, members with 25 or more years of creditable service will opt to retire on a Special Retirement allowance.

- ***FINAL AVERAGE COMPENSATION*** means the average base salary (excluding overtime, bonuses and individual lump sum salary adjustments) for the three years immediately preceding retirement. If your three last years are not your highest years of salary, your allowance will be calculated using your three highest fiscal years (July 1 to June 30) of salary. If this is the case, please inform the Division of Pensions and Benefits at the time of retirement that you had higher fiscal years of salary.

SPECIAL RETIREMENT is available to those members who have 25 years or more of service credit. The amount of your annual pension will be equal to 65 percent of your Final Compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years. The maximum allowance is therefore 70 percent of your final compensation. (The maximum annual allowance, however, is not applicable if you had established 30 years of creditable service prior to July 1, 1979.)

- ***FINAL COMPENSATION*** means the compensation you received during the 12 months immediately preceding your retirement.

— CHAPTER 247, PUBLIC LAWS 1993 permitted certain employees enrolled in the Public Employees' Retirement System (PERS) to transfer to the Police and Firemen's Retirement System (PFRS). If a member transferred to the PFRS under the provisions of this law, at retirement the member receives prorated PERS and PFRS benefits based upon the member's service in each system, unless the accrued liability is paid to the PFRS. Those members who did not pay the accrued liability should contact the Division of Pensions and Benefits for more information. Those members who paid the accrued liability may be eligible for one of the PFRS retirements listed in this section.

DEFERRED RETIREMENT INFORMATION

If you have at least ten years of service credit in the pension plan but do not qualify for retirement because of your age, you are eligible to postpone receiving your monthly benefit until you meet the age criteria. If you meet the criteria for Deferred Retirement discussed in this section, contact the Division of Pensions and Benefits at (609) 292-7524 after you terminate employment and inquire about filing an application for retirement.

PERS and TPAF DEFERRED RETIREMENT is available to those members who have at least ten years of service credit and are not yet 60 years of age when they terminate employment. The retirement would be effective on the first of the month after attaining age 60. You will receive a full retirement allowance based on the Service Retirement formula (see pg. 2). You may apply for a Deferred Retirement when you terminate covered employment.

PFRS DEFERRED RETIREMENT is available to those members who have at least 10 years of service credit and are not yet 55 years of age when they terminate employment. The retirement will be effective on the first of the month after you attain age 55. You will receive a retirement allowance based upon the Service Retirement formula (see pg. 3). You may apply for a Deferred Retirement when you terminate covered employment.

REMEMBER-Your life insurance coverage is not in effect between the time you terminate employment and your Deferred Retirement becomes effective. The beneficiary named on your Application for Retirement Allowance does not take effect until you retire. If you die between the time you terminate employment and your retirement becomes effective, the last named beneficiary on your active account will receive the return of your pension contributions. There is no other death benefit under these circumstances. Be sure to keep your beneficiary designation up to date.

Important Information for All Members

- ◆ You must pay any outstanding loan or arrears (purchase of service) balances in one lump sum before you can collect your retirement benefit. You will receive a loan or purchase cost quotation after you file your retirement application. Interest will continue to accrue on any balance until it is paid in full.
- ◆ Any time before your retirement becomes effective you can cancel your application and choose a lump sum withdrawal instead. Once you cancel your Deferred Retirement and withdraw, all rights and privileges associated with the membership end.
- ◆ If prior to your retirement date you return to employment covered by the same retirement system, you must cancel your Deferred Retirement and continue contributing to the pension plan.

== LEAVING YOUR CONTRIBUTIONS WITH THE PENSION PLAN ==

After you terminate employment your inactive pension account will remain open for two years from the date of your last pension deduction. You may leave your money in your pension account for this two year period in case you return to work in a position covered by the pension plan.

Return to Employment - If you return to a position covered by the pension plan within two years from the date of your last pension contribution, your pension account will be reactivated and you will resume pension contributions. You will retain the service credit you previously earned and continue to accrue new pension credit.

Cease Public Employment - If you do not return to work in a position covered by the pension plan within two years from the date of your last pension contribution, the Division of Pensions and Benefits will send you an Expiration Notice informing you that your account has terminated and you must withdraw the contributions you made to the pension plan. If you should return to employment covered by the pension plan after your account has terminated, you can purchase the service credit from your former membership. However, purchase costs increase with age and increased salary and usually are considerably more than the return of contributions you receive from the membership.

Your Account will *NOT EXPIRE*

- ◆ If you are granted an official leave of absence beyond the 2 year limit, provided the enabling action (notice from your employer) for the leave is filed with the Division of Pensions and Benefits.
- ◆ If your employment is terminated through no fault of your own (abolishment, layoff, reduction-in-force). In this case, your pension account will remain open for five years (PFRS) or ten years (PERS, TPAF) from the date of your last pension contribution, provided you send a written request to the Division of Pensions and Benefits. You must send the request within the two year period after termination. The extension only allows you to re-activate your pension account upon return to employment. It can not be used to qualify for retirement.

== WITHDRAWING YOUR CONTRIBUTIONS ==

If you terminate employment and do not plan on returning to public employment, you can make a lump sum withdrawal of the contributions you made to your pension account, less any outstanding loan or other obligations you may have. You may withdraw only the money you contributed and no partial withdrawal is permitted. Upon your withdrawal, all rights and privileges of membership end.

Important

- ◆ No withdrawal is paid if there are unresolved legal matters concerning your termination of employment.
- ◆ You must file a properly completed Application for Withdrawal with the Division of Pensions and Benefits. Part 2 of the application must be completed by your employer.

GROUP LIFE INSURANCE COVERAGE

Most members of the various retirement systems administered by the New Jersey Division of Pensions and Benefits are covered by group life insurance benefits while employed. When you terminate employment or apply for retirement benefits, you have the right to continue that coverage through the Prudential Insurance Company.

LIFE INSURANCE WHEN TERMINATING EMPLOYMENT - You are covered by your group policy for 31 days after you terminate employment. During that 31 day period, you may convert your group life insurance, without medical examination, to any individual policy customarily offered by Prudential except term insurance or a policy containing disability benefits. The premiums are the same as you would pay if you were applying for a private policy at your current age. The individual policy is effective at the end of the 31-day period. If you do not convert to an individual policy within the 31-day period, your group coverage ends.

- ◆ **EXAMPLE:** If you have group life insurance of \$96,000 through the retirement system prior to your termination of employment, you can purchase up to \$96,000 in life insurance coverage under an individual non-group policy by contacting a Prudential agent with 31 days of your termination of employment. Or by contacting Prudential at 1-800-262-1112.

LIFE INSURANCE FOR THOSE APPLYING FOR RETIREMENT - Your life insurance coverage with the pension plan is substantially reduced at retirement or terminates if you have less than ten years of service (unless you retire on a disability retirement). Your life insurance continues in full force for the first 31 days following your last day of employment. During that 31 day period, you may convert the difference between your full coverage and your reduced coverage, without medical examination to an individual non-group policy customarily offered by Prudential (except term insurance or a policy containing disability benefits). The premiums are the same as you would pay if you were applying for a private policy at your current age. The individual policy is effective at the end of the 31 day period. If you are retiring under a **Deferred Retirement**, your reduced life insurance benefit is not in effect until you begin to collect your retirement benefits.

- ◆ **EXAMPLE:** If you had group life insurance of \$96,000 through the retirement system while employed, and that life insurance drops to \$6,000 at retirement, you can purchase up to \$90,000 in life insurance coverage under an individual non-group policy by contacting a Prudential agent within 31 days of your termination of employment.

The following group policy numbers are necessary when you call Prudential at

1-800-262-1112 to convert your insurance:

CONTRIBUTORY LIFE INSURANCE
(PERS) - **GC-13900**

CONTRIBUTORY LIFE INSURANCE
(TPAF) - **GC-14300**

NON-CONTRIBUTORY LIFE INSURANCE
(PERS, TPAF, PFRS) - **G-14800**

HEALTH BENEFITS

COBRA - Consolidated Omnibus Budget Reconciliation Act

When you terminate employment you may be eligible for continuation of health care coverage under the federal legislation called COBRA for up to 18 months. Under COBRA, you purchase your employer's group coverage after you leave employment, provided you have coverage as an active employee. You pay the full cost of the coverage plus a two percent administration fee. After you terminate employment, you may continue paying for your coverage under COBRA for no longer than 18 months.

IMPORTANT

- ✓ You must file for COBRA within 60 days from the date your health coverage is terminated. If you do not file the application within the 60 day period you lose your right to continue coverage.
- ✓ Your employer must provide you with a COBRA notice, application, rate chart and instruction sheet when you terminate employment. If you have not received this information, contact your benefits administrator.
- ✓ You may also continue any non-core health benefits such as prescription drug, dental, or vision under COBRA for up to 18 months, provided you have the coverage as an active employee.
- ✓ If you are eligible for Medicare, you can not normally continue your medical coverage under the COBRA program. State employees, however, will be allowed to continue their non-core health benefits.
- ✓ After you complete your COBRA eligibility, you may be able to convert your COBRA health care coverage to private insurance.

HEALTH BENEFITS FOR THOSE RETIRING NOW OR DEFERRING RETIREMENT

IF YOU ARE COVERED UNDER THE STATE HEALTH BENEFITS PROGRAM (SHBP) AND...

YOU ARE RETIRING NOW, you will be offered lifetime continuation of your medical coverage when your retirement application is processed. If premiums are necessary, they are withheld from your pension check or will be billed to you monthly.

YOU ARE DEFERRING YOUR RETIREMENT, you may be eligible for continuation of health coverage under COBRA as indicated above. If your actual retirement commences while the 18 months of COBRA coverage is in effect, you may then transfer from the COBRA coverage and continue the health care benefit into retirement. If the 18 months of COBRA coverage ends before the retirement commences, you may not be entitled to maintain health coverage through the SHBP. This doesn't apply if you are a member of TPAF or ABP with 25 years of pension membership credit or if you continue coverage under the SHBP until retirement as a dependent of a covered employee.

DEFERRED COMPENSATION

If you participate in the State Employees Deferred Compensation Plan, the following regulations apply when you terminate employment:

IF YOU ARE NOT ELIGIBLE FOR AN IMMEDIATE OR DEFERRED RETIREMENT, account distribution must begin no later than 60 days into the year following your termination date.

IF YOU ARE ELIGIBLE FOR AN IMMEDIATE OR DEFERRED RETIREMENT, you can immediately receive payment, delay distribution until 60 days into the year following the year you retire, or delay distribution until 60 days into the year following the year you attain normal retirement age (55 for PFRS, and 60 for TPAF and PERS).

YOU CAN TAKE YOUR MONEY...

- ◆ IN ONE LUMP SUM;
- ◆ IN INSTALLMENTS*; or
- ◆ A COMBINATION OF A LUMP SUM, FOLLOWED BY INSTALLMENTS*.

*(if your account value is at least \$5,000).

CONTACT THE DEFERRED COMPENSATION OFFICE located within the Division of Pensions and Benefits at (609) 292-3605 for a deferred Compensation Distribution form before you terminate employment. **The Deferred Compensation distribution form must be filed within 60 days of your termination date.**

SUPPLEMENTAL ANNUITY COLLECTIVE TRUST (SACT)

If you participate in SACT, the following regulations apply when you terminate your employment:

IF YOU WITHDRAW YOUR PENSION CONTRIBUTIONS from the retirement system, you must withdraw from SACT.

IF YOU DO NOT WITHDRAW YOUR PENSION CONTRIBUTIONS from the retirement system, you can not withdraw from SACT. Distributions are only made when you cease to be a member of the retirement system.

IF YOU ARE ELIGIBLE FOR RETIREMENT OR DEFERRED RETIREMENT, you are eligible to receive your SACT benefits.

IMPORTANT

- ◆ SACT benefits are paid in either a lump sum or in variable forms of an annuity.
- ◆ SACT benefits are calculated using the value of the account as on the close of the month when you cease to be a member of the retirement system.
- ◆ You may transfer the taxable portion of the distribution into another qualified retirement plan to avoid tax withholding.

CONTACT THE SACT OFFICE located within the Division of Pensions and Benefits at (609) 633-2031 before you terminate employment.

YOUR OUTSTANDING LOAN BALANCE

You must pay off an existing loan balance in order to receive any pension distributions. Your outstanding loan will continue to accrue interest while your account is inactive. Outstanding loan balances can be paid in a lump sum or withheld from your pension monies depending upon whether you retire or withdraw your pension contributions. You must contact the Division of Pensions and Benefits for the exact loan balance before you make a lump sum payment.

IF YOU ARE...

RETIRING, your loan must be paid in full before the Division of Pensions and Benefits can pay you a retirement allowance. After you file your retirement application, the Division will calculate the exact balance and inform you in writing. You are given the choice of either sending a check for the entire balance or having the Division withhold your entire pension check each month until the loan and interest are paid.

LEAVING YOUR CONTRIBUTIONS WITH THE PENSION PLAN, your loan will **continue to accrue interest while your account is inactive**. If you return to public employment and your account is re-activated, the loan balance is re-calculated to include the additional interest. Your employer is sent a certification explaining the new payment schedule. At any time while your account is inactive, you may pay the entire balance of the loan in one lump sum. In this case you must contact the Division of Pensions and Benefits for the exact loan balance.

WITHDRAWING YOUR CONTRIBUTIONS, your outstanding loan balance is calculated and deducted from the balance of your pension contributions payable to you.

Other Information is Available

IMPORTANT PHONE NUMBERS

- ① For information about retirement, pension or health benefits matters contact the Division of Pensions and Benefits at (609) 292-7524.
- ① For information about converting your life insurance contact the Prudential Insurance Company at 1-800-262-1112.
- ① For information about your Deferred Compensation account contact the Deferred Compensation Plan located at the office of the Division of Pensions and Benefits at (609) 292-3605.
- ① For information about your Supplemental Annuity Collective Trust account contact the SACT office, located at the office of the Division of Pensions and Benefits at (609) 633-2031.